

COMOX STRATHCONA
REGIONAL HOSPITAL DISTRICT



FINANCIAL STATEMENTS
Year ended December 31, 2016

Comox-Strathcona Regional Hospital District

2016 Board of Directors

Area A Baynes Sound-Denman/Hornby	B. Jolliffe
Area A Kyuquot/Nootka-Sayward	G. Whalley
Area B Cortes Island	N. Anderson
Area B Lazo North	R. Nichol
Area C Discovery Islands - Mainland Inlets	J. Abram
Area C Puntledge - Black Creek	E. Grieve
Area D Oyster Bay - Buttle Lake	B. Leigh
City of Campbell River	R. Kerr
City of Campbell River	C. Cornfield (Chair)
City of Campbell River	M. Babchuk
City of Campbell River	M. Wright (Alternate)
City of Campbell River	L. Samson
City of Courtenay	L. Jangula
City of Courtenay	E. Theos
City of Courtenay	E. Eriksson (Vice Chair)
Town of Comox	M. Swift (Alternate)
Town of Comox	M. Grant (Alternate)
Village of Cumberland	R. Kishi (Alternate)
Village of Gold River	R. Unger
Village of Sayward	D. Mason (Alternate)
Village of Tahsis	J. Schooner
Village of Zeballos	J. Colborne

**Comox-Strathcona Regional Hospital District
Financial Statements
Year ended December 31, 2016**

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Comox-Strathcona Regional Hospital District

Management's Responsibility for Financial Reporting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and are outlined under Significant Accounting Policies in the notes to the financial statements. Management is responsible for the integrity and objectivity of these statements as well as the supplementary schedules.

Management maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. Management also maintains a program of proper business compliance.

The board of directors is responsible for reviewing and approving the financial statements and for ensuring that management fulfils its responsibilities for financial reporting and internal control.

MNP LLP, Chartered Professional Accountants, the regional hospital district's independent auditor, has conducted an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion in a report accompanying this statement.

A handwritten signature in black ink, appearing to read 'E. Dunlop', is written over a light grey rectangular background.

E.J. Dunlop, CPA, CGA
Officer responsible for Financial Administration,
pursuant to Section 237 of the Local Government Act

April 20, 2017

Independent Auditors' Report

To the Board of Directors of Comox-Strathcona Regional Hospital District:

We have audited the accompanying financial statements of Comox-Strathcona Regional Hospital District, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Comox-Strathcona Regional Hospital District as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements for the year ended December 31, 2015 were audited by another auditor who expressed an unqualified opinion on those statements on April 14, 2016.

Courtenay, British Columbia

April 20, 2017

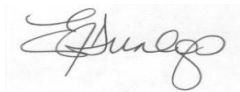
MNP LLP

Chartered Professional Accountants

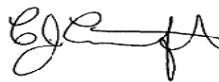
Comox-Strathcona Regional Hospital District
Statement of Financial Position
As at December 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 12,596,138	\$ 13,187,134
Accounts receivable	<u>292,759</u>	<u>293,884</u>
Total Financial Assets	<u>12,888,897</u>	<u>13,481,018</u>
Liabilities		
Accounts payable	43,070	159,537
Accrued interest	134,991	108,112
Short-term debt (Note 3)	107,386,437	60,888,437
Long-term debenture debt (Schedule D) (Note 4)	<u>431,013</u>	<u>858,777</u>
Total Liabilities	<u>107,995,510</u>	<u>62,014,863</u>
 Accumulated Deficit (Note 6)	 <u>\$ (95,106,613)</u>	 <u>\$ (48,533,845)</u>

Commitments (Schedule F) (Note 7)



E.J. Dunlop, CPA, CGA
Officer responsible for Financial Administration



C. Cornfield
Chair

The accompanying notes are an integral part of these financial statements.

Comox-Strathcona Regional Hospital District
Statement of Operations
As at December 31, 2016

Revenue	2016 Budget (Note 10)	2016 Actual	2015 Actual
Requisitions (Schedule E)	\$ 17,000,000	\$ 17,000,000	\$ 17,000,000
Grants in lieu of taxes	82,000	284,404	289,126
Interest revenue	60,000	121,727	217,265
Debenture refunds and other revenue	-	123,553	14,854
Total Revenue	<u>17,142,000</u>	<u>17,529,683</u>	<u>17,521,245</u>
Expenses			
Net debenture debt interest	262,672	98,874	149,876
Short-term debt interest	2,500,000	1,366,501	449,610
Administration and governance	334,100	184,136	202,085
Grants to health care facilities (Schedule F) (Note 9)	<u>65,013,326</u>	<u>62,452,939</u>	<u>104,402,029</u>
Total Expenses	<u>68,110,098</u>	<u>64,102,451</u>	<u>105,203,600</u>
Annual Deficit	(50,968,098)	(46,572,768)	(87,682,355)
Accumulated Surplus (Deficit), beginning of year	<u>(48,533,845)</u>	<u>(48,533,845)</u>	<u>39,148,510</u>
Accumulated Deficit, end of year	<u>\$ (99,501,943)</u>	<u>\$ (95,106,613)</u>	<u>\$ (48,533,845)</u>

The accompanying notes are an integral part of these financial statements.

Comox-Strathcona Regional Hospital District
Statement of Cash Flows
As at December 31, 2016

	<u>2016</u>	<u>2015</u>
Operating Transactions		
Annual Deficit (Statement 2)	\$ (46,572,768)	\$ (87,682,355)
Changes in non-cash operating balances		
Accounts receivable	1,125	9,023
Accounts payable	(116,468)	(121,703)
Accrued interest	26,879	66,434
Item not utilizing cash		
Actuarial adjustment	<u>(132,738)</u>	<u>(139,880)</u>
Cash Applied to Operating Transactions	<u>(46,793,969)</u>	<u>(87,868,481)</u>
Financing Transactions		
Short-term debt proceeds	59,498,000	74,388,437
Short-term debt repayments	(13,000,000)	(13,500,000)
Long-term debt principal repayments	<u>(295,026)</u>	<u>(328,651)</u>
Cash Provided by Financing Transactions	<u>46,202,974</u>	<u>60,559,786</u>
Change in Cash	(590,995)	(27,308,695)
Cash, beginning of year	13,187,134	40,495,829
Cash, end of year	<u>\$ 12,596,138</u>	<u>\$ 13,187,134</u>

The accompanying notes are an integral part of these financial statements.

Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2016

1. Purpose

British Columbia Hospital Districts

The Comox-Strathcona Regional Hospital District was incorporated in 1967 under the Hospital District Act. The letters patent were amended in 2008, subsequent to the restructure of the Comox Strathcona Regional District, to recognize directors of both the Comox Valley Regional District and Strathcona Regional District as members of the board of the Comox-Strathcona Regional Hospital District. Its principal activities are to finance capital construction projects and capital equipment purchases for health care facilities within the Comox Valley and Strathcona regional districts. These activities are funded through property taxes and debenture debt.

2. Significant Accounting Policies

a) **Basis of Presentation**

The financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada.

b) **Reserve for Future Expenditures and Future Major Projects**

Reserve funds are held for future grants of capital equipment and capital construction projects.

c) **Use of Estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring management estimates are the determination of grant in lieu revenue, actuarial adjustments and collectability of accounts receivable. Actual results may vary from the estimates and adjustments will be reported and reflected in operations as they become known.

d) **Financial Instruments**

The regional hospital district's financial instruments consist of cash, accounts receivable, accounts payable, accrued interest, short and long-term debt. Unless otherwise noted, it is management's opinion that the regional hospital district is not exposed to significant interest, currency or credit risks arising from these financial instruments.

e) **Revenue Recognition**

The regional hospital district recognizes requisition revenue based on assessments issued to the property owners in its service area. These assessments are issued on an annual basis to meet the expenditures of the regional hospital district. Interest revenue is recorded when earned. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable.

3. Short-Term Debt

Short-term debt consists of borrowing from the Municipal Finance Authority for the purpose of interim financing for the north island hospitals project. The debt bears interest at a variable rate which is paid monthly. The rate at December 31, 2016 was 1.44% (2015 - 1.38%). Regular principal payments are not required but the amounts must be repaid within five years of borrowing. A loan authorization bylaw is in place for the short-term debt which provides the authority for it to be converted to debenture debt, which is anticipated when the hospitals are completed in 2017.

Interest on short-term debt, recorded in the Statement of Operations in 2016 is \$1,366,501 (2015 - \$449,610).

**Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2016**

4. Long-Term Debenture Debt

Details of long-term debt, including maturity dates, interest rates and outstanding amounts, are summarized on Schedule D – Schedule of Long-Term Debenture Debt.

Payments of principal and actuarial on issued debt of the regional hospital district are approximately as follows:

2017	\$ 93,379
2018	97,115
2019	26,103
2020	27,147
2021	28,233
Future years	159,036
	\$431,013

Interest on long-term debt, net of actuarial adjustments, recorded in the Statement of Operations in 2016 is \$98,874 (2015 - \$149,876).

5. Municipal Finance Authority Debt Reserve Fund

The regional hospital district secures its long-term borrowing through the Municipal Finance Authority (MFA). As a condition of these borrowings, a portion of the debenture proceeds is retained by MFA as a debt reserve fund. As at December 31, 2016, the cash balance of the regional hospital district's debt reserve funds was \$43,636 (2015 - \$72,471). Debt reserve funds are not recorded elsewhere in the financial statements.

6. Accumulated Deficit

	2016	2015
Revenue Fund (Schedule A)	\$ 251,246	\$ 117,299
Reserve Fund (Schedule B)	12,777,542	13,414,021
Capital and Loan Fund (Schedule C)	(108,135,401)	(62,065,165)
Accumulated Deficit, end of year	\$ (95,106,613)	\$(48,533,845)

The amount of the Capital and Loan Fund, which includes debt incurred to finance capital construction projects, capital equipment purchases for the health care facilities within the regional districts and the north island hospitals project, will be recovered from future tax requisitions.

7. Commitments

As at December 31, 2016 commitments in connection with various capital grants amounted to \$15,795,625 (2015 - \$77,540,623) as detailed on Schedule F. This represents the Comox-Strathcona Regional Hospital District portion, which is 40% of the total capital cost and includes a remaining commitment of \$14,808,910 for the construction of two hospitals, one sited in the Comox Valley and one in Campbell River, collectively referred to as the north island hospitals project. The hospitals have a projected completion date of fall 2017. During construction, the regional hospital district's 40% cost share is being funded through short-term loans from the Municipal Finance Authority. Upon completion, the short-term loans will be repaid with long-term debenture debt.

Comox-Strathcona Regional Hospital District
Notes to Financial Statements
December 31, 2016

8. Related Party Transactions

Related parties consist of the municipalities and electoral areas listed on Schedule E. Included in accounts receivable are amounts from related party municipalities totaling \$256,626 (2015 - \$256,155). During the year, administrative support services supplied to the regional hospital district by the Comox Valley Regional District totaled \$151,000 (2015 - \$151,000).

9. Grants to Health Care Facilities

	<u>2016</u>	<u>2015</u>
Campbell River & District General Hospital	\$ 22,993	\$ 161,999
Cortes Health Centre	5,000	2,500
Cumberland Regional Laundry Society	5,444	11,820
Gold River Health Clinic	79,580	22,839
Kyuquot Health Centre	10,928	2,500
North Island Hospitals Project	61,968,000	103,635,000
Sayward Primary Healthcare Clinic	5,000	2,500
St. Joseph's General Hospital	345,994	557,871
Tahsis Health Centre	5,000	2,500
Zeballos Health Centre	5,000	2,500
	<u>\$62,452,939</u>	<u>\$104,402,029</u>

10. Restatement of 2016 Budget

The budget amounts presented throughout these financial statements represent the budget bylaw approved by the regional hospital district board on March 10, 2016.

The budget bylaw was prepared on a modified accrual basis while Canadian public sector accounting standards require financial statements to be prepared on a full accrual basis. The budget bylaw anticipated use of surpluses and reserves accumulated in prior years to reduce current year expenditures in excess of current year revenues.

The summary below reconciles the 2016 adopted budget to the Statement of Operations.

Budget bylaw, surplus for the year	\$	-
Add:		
Debt principal payments		12,295,027
Transfers to future expenditure reserve		1,112,887
Transfers to major project reserve		-
Less:		
Short term debt proceeds		(61,025,000)
Transfers from future expenditure reserve		(3,233,713)
Transfers from previous years' surplus		(117,299)
Budgeted Annual Deficit, as restated		<u>\$ (50,968,098)</u>

11. Statement Presentation

Since the regional hospital district does not have non-financial assets, a Statement of Net Financial Assets has not been presented.

Comox-Strathcona Regional Hospital District
Schedule of Revenue Fund Transactions
As at December 31, 2016

	2016 Budget (Note 10)	2016 Actual	2015 Actual
Revenue			
Requisitions (Schedule E)	\$ 17,000,000	\$ 17,000,000	\$ 17,000,000
Grants in lieu of taxes	82,000	284,404	289,126
Interest revenue	60,000	121,727	217,265
Debenture refunds and other revenue	-	123,553	14,854
Total Revenue	17,142,000	17,529,683	17,521,245
Expenses			
Debenture debt interest (Schedule D)	262,672	231,612	289,756
Short-term debt interest	2,500,000	1,366,501	449,610
Administration and governance costs	334,100	184,136	202,085
Contribution to reserves for future major projects	-	-	82,655
Contribution to reserves for future expenditures	1,112,887	2,164,593	2,793,479
Total Expenses	4,209,659	3,946,843	3,817,585
Net Revenue	12,932,341	13,582,840	13,703,660
Financing Transactions			
Grants funded by operating	(754,613)	(153,867)	(51,500)
Short-term debt repayments	(12,000,000)	(13,000,000)	(13,500,000)
Long-term debt principal repayments (Schedule D)	(295,027)	(295,026)	(328,651)
Total Financing Transactions	(13,049,640)	(13,448,893)	(13,880,151)
Change in Fund Balance	(117,299)	133,947	(176,491)
Fund Balance, beginning of year	117,299	117,299	293,790
Fund Balance, end of year	\$ -	\$ 251,246	\$ 117,299

Comox-Strathcona Regional Hospital District
Schedule of Reserve Fund Transactions
As at December 31, 2016

	<u>2016</u>	<u>2015</u>
Fund Balance, beginning of year	\$ 13,414,021	\$ 40,499,980
Add:		
Transfer from Revenue Fund for future major projects (Schedule A)	-	82,655
Transfer from Revenue Fund for future expenditures (Schedule A)	2,164,593	2,793,479
Less:		
Grants funded by reserves	<u>(2,801,072)</u>	<u>(29,962,093)</u>
Fund Balance, end of year	<u>\$ 12,777,542</u>	<u>\$ 13,414,021</u>

Comox-Strathcona Regional Hospital District
Schedule of Capital and Loan Fund
As at December 31, 2016

	<u>2016</u>	<u>2015</u>
Fund Balance, beginning of year	\$ (62,065,165)	\$ (1,645,260)
Add:		
Short-term debt repayments	13,000,000	13,500,000
Long-term debt principal repayments (Schedule D)	295,026	328,651
Actuarial additions (Schedule D)	132,738	139,880
Less:		
Grants funded by debt	(59,498,000)	(74,388,436)
Fund Balance, end of year	<u>\$ (108,135,401)</u>	<u>\$ (62,065,165)</u>

Comox-Strathcona Regional Hospital District
Schedule of Long-term Debenture Debt
Municipal Finance Authority (MFA)
As at December 31, 2016

Schedule D

MFA#	Issue Date	Yrs	Int Rate	Beginning Balance	Principal Payments	Actuarial Additions	Ending Balance	Interest Expense
99	Nov 7/06	10	4.43%	\$ 241,252	\$ 169,500	\$ 71,752	\$ -	\$ 72,122
99	Nov 7/06	20	4.43%	312,956	16,304	6,901	289,751	18,904
103	Apr 23/08	10	4.65%	207,844	50,597	15,985	141,262	28,248
624	Nov 29/96	27	7.88%	96,725	58,625	38,100	-	112,338
				\$ 858,777	\$ 295,026	\$ 132,738	\$ 431,013	\$ 231,612

Comox-Strathcona Regional Hospital District
Schedule of Revenue from Requisitions
As at December 31, 2016

	2016 Budget (Note 10)	2016 Actual	2015 Actual
Member Municipalities			
City of Courtenay	\$ 4,044,962	\$ 4,042,680	\$ 4,072,561
Town of Comox	1,832,316	1,837,226	1,847,881
Village of Cumberland	446,270	447,679	447,389
City of Campbell River	4,258,215	4,263,995	4,239,397
Village of Gold River	99,259	99,140	97,798
Village of Sayward	25,269	25,393	25,714
Village of Tahsis	29,456	29,261	33,530
Village of Zeballos	11,877	11,914	12,062
Electoral Areas			
Baynes Sound/Denman-Hornby Islands (Area A)	\$ 1,622,609	\$ 1,638,112	\$ 1,625,970
Lazo North (Area B)	1,180,167	1,182,381	1,165,377
Puntledge-Black Creek (Area C)	1,500,502	1,512,692	1,493,953
Kyuquot-Nootka/Sayward (Area A)	303,686	305,859	318,735
Cortes (Area B)	280,771	244,126	248,995
Discovery Islands-Mainland Inlets (Area C)	590,107	578,860	613,598
Oyster Bay-Buttle Lake (Area D)	774,534	780,682	757,040
Total Revenue from Requisitions	\$ 17,000,000	\$ 17,000,000	\$ 17,000,000

Comox-Strathcona Regional Hospital District
Schedule of Projects and Commitments
As at December 31, 2016
(Unaudited)

Project	RHD Portion Approved	Paid Prior Years	Paid 2016	Balance of Committed Funds
All Facilities				
2015 Allocation	\$ 832,177	\$ (117,084)	\$ (282,670)	\$ 432,423
2016 Allocation	435,266	-		435,266
North Island Hospitals Project				
Comox Valley & Campbell River hospitals	240,700,000	(163,923,090)	(61,968,000)	14,808,910
Campbell River & District General Hospital				
Defibrillator	43,091	-	-	43,091
Neoprobe	46,453	-	-	-
St Joseph's General Hospital				
Anaesthetic machines (5 machines)	325,550	(276,930)	(48,402)	-
Eagleview Building Envelope Phase 1	43,843	-	(43,843)	-
Cortes Health Centre				
2016 Allocation	5,000	-	(5,000)	-
Cumberland Regional Hospital Laundry Society				
Dryer Heat Recovery and Controls Optimization	64,134	-	(444)	63,690
2016 Allocation	5,000	-	(5,000)	-
Gold River Health Clinic				
X-Ray machine with PACs capability	86,826	-	(74,580)	12,246
2016 Allocation	5,000	-	(5,000)	-
Kyuquot Health Centre				
2016 Allocation	5,000	-	(5,000)	-
Sayward Primary Healthcare Clinic				
2016 Allocation	5,000	-	(5,000)	-
Tahsis Health Centre				
2016 Allocation	5,000	-	(5,000)	-
Zeballos Health Centre				
2016 Allocation	5,000	-	(5,000)	-
Total Commitments	\$ 242,612,340	\$ (164,317,104)	\$ (62,452,939)	\$ 15,795,625